

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton; and
Robert G. Taub

Notice of Classification and Price
Adjustments for Picture Permit Imprints

Docket No. R2012-7

NOTICE AND ORDER CONCERNING MARKET DOMINANT CLASSIFICATION AND
PRICE CHANGES FOR PICTURE PERMIT IMPRINT INDICIA

(Issued March 29, 2012)

I. INTRODUCTION

On March 28, 2012, the Postal Service filed a notice with the Commission announcing its intent to implement Picture Permit Imprint Indicia as price categories for First-Class Mail and Standard Mail letters and cards pursuant to 39 U.S.C. 3622 and 39 CFR 3010.¹ The classification and price adjustment will permit certain images, such as corporate or product logos, to be placed in the permit indicia area of First-Class and Standard Mail letters and cards (Adjustment). *Id.* at 2. The Adjustment is proposed to take effect at 12:01 a.m. on June 24, 2012. *Id.* at 1.

¹ United States Postal Service Notice of Market Dominant Classification and Price Changes for Picture Permit Imprint Indicia, March 28, 2012 (Notice).

II. POSTAL SERVICE FILING

Picture Permit Imprint Indicia category. The Postal Service plans to implement Picture Permit Imprint Indicia as a price category for First-Class Mail and Standard Mail letters and cards. *Id.* at 2. The Postal Service states that, in response to customer requests to use corporate or product logos in this area of the envelope, it has developed guidelines, requirements, and other specifications for the use of images on the permit indicia area of the mailpiece. *Id.* It asserts that the Picture Permit Imprint Indicia is an innovative use for the permit indicia space that affords prospective customers the opportunity and ability to brand and advertise their products and services on the mailpiece. *Id.* It states that such mailpieces have been tested in the mailstream, and it believes that limited use of the permit indicia space of the mailpiece should be permitted at an appropriate price. *Id.* at 3.

The Postal Service states that the Adjustment is designed to help keep mailers using the mail, increase the interest of mail recipients in the mail they receive, and generate higher revenue through a per-piece charge over and above postage. *Id.* Market research by the Postal Service indicates that most mailers would use Picture Permit imprints for existing volume, although some said that they would increase their mailing volume. *Id.* Nine percent of First-Class Mail commercial customers and 12 percent of Standard Mail customers responded that they would be willing to pay a small premium to use Picture Permit imprints. *Id.* The Postal Service will charge an additional one-cent per piece for First-Class Mail and two-cents per piece for Standard Mail for the use of Picture Permit imprints. *Id.* It will require all mailings to be Full-Service Intelligent Mail barcodes, with each Picture Permit imprint to be approved by the Postal Service. *Id.* Mail customers will be responsible to defend against all legal charges for use of the image. *Id.*

Impact on the price cap. The Postal Service states that the planned prices have no impact on price cap issues because they do not change the prices for any existing First-Class Mail or Standard Mail price categories. *Id.* Therefore, it made no cap or price change calculations as described in rules 3010.14(b)(1) through (4). *Id.*

Objectives and factors, workshare discounts, and preferred rates. The Postal Service lists the relevant objectives and factors of 39 U.S.C. 3622, and claims the Adjustment does not substantially alter the degree to which First-Class Mail and Standard Mail prices already address the objectives and factors. *Id.* at 4-8. In particular, the Postal Service contends that the Adjustment is an example of the increased pricing flexibility under the Postal Accountability and Enhancement Act (objective 4), and will encourage new mail volumes, which will have the effect of enhancing the financial position of the Postal Service (objective 5). *Id.* at 7, 8. Similarly, the Postal Service claims that the Adjustment encourages increased mail volume (factor 7) and, by charging for an attractive new option that does not increase the Postal Service costs significantly, will help First-Class and Standard Mail cover attributable costs (factor 2). *Id.*

Workshare discounts. According to the Postal Service, the Adjustment will not impact current workshare discounts. *Id.* at 8.

Preferred rates. The same prices for Picture Permit Imprints will apply to Nonprofit pieces entered as Standard Mail High Density and Saturation Letters, Carrier Route, and Letters. *Id.* Based on the limited volumes expected to use this price category, the Postal Service expects that the ratio between nonprofit and commercial prices will remain close to 60 percent, thus meeting the statutory requirement in 39 U.S.C. 3626(a)(6).

Mail Classification Schedule (MCS). The Postal Service provides proposed MCS language in Appendix A of its Notice.

III. COMMISSION ACTION

The Commission establishes Docket No. R2012-7 to consider all matters related to the Notice. The Commission's rules provide for a 20-day comment period starting from the date of the filing of the Notice. See 39 CFR 3010.13(a)(5). Interested persons may express views and offer comments on whether the planned changes are consistent

with the policies of 39 U.S.C. 3622 and 39 CFR 3010. Comments are due no later than April 17, 2012.

The Commission appoints Katalin K. Clendenin to represent the interests of the general public in this proceeding.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. R2012-7 to consider matters raised by the Postal Service's March 28, 2012 Notice.
2. Interested persons may submit comments on the planned price category implementation. Comments are due no later than April 17, 2012.
3. Pursuant to 39 U.S.C. 505, Katalin K. Clendenin is appointed to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.
4. The Secretary shall arrange for publication of this notice in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary